

# RAISING THE INTERNALLY GENERATED REVENUE (IGR) OF STATES: LESSONS AND OPPORTUNITIES

**Presentation at the Nigeria Governors' Forum  
Meeting**

Abuja | 22 November 2017



## How the economy has changed since 2015



- Budgets and expenditure plans rising
  - Debt stock and debt servicing increasing
  - Servicing basic obligations such as salaries and pensions challenging
  - Limited funds for infrastructure
- Revenue from oil dropping
  - Price of oil moderate
  - Non-oil contribution to the economy rising

**Selected economic indicators, Nigeria, 2010 – 2016**

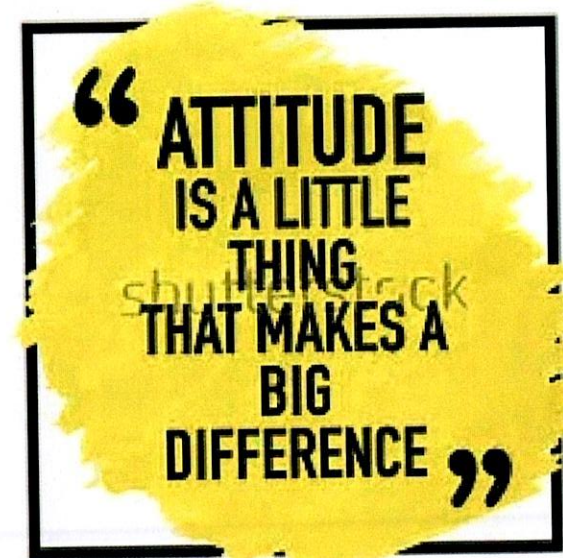
|   | 2013    | 2014    | 2015    | 2016    |
|---|---------|---------|---------|---------|
| GDP growth (annual %)                         | 5.4     | 6.3     | 2.7     | -1.5    |
| GDP (constant 2010 US\$), million             | 423,210 | 449,914 | 461,849 | 449,958 |
| Total investment (% of GDP)                   | 14.9    | 15.8    | 15.5    | 12.6    |
| Gross national savings (% of GDP)             | 18.6    | 16.0    | 12.3    | 13.1    |
| Fiscal balance, excl. grants (% of GDP)       | -2.5    | -2.2    | -3.5    | -4.4    |
| Government revenue, excl. grants (% of GDP)   | 11.0    | 10.5    | 7.6     | 4.8     |
| Government expenditure (% of GDP)             | 13.5    | 12.7    | 11.1    | 9.3     |
| Government debt (% of GDP)                    | 12.6    | 10.6    | 12.1    | 18.6    |
| Exchange rate (Naira per US\$, average)       | 157.3   | 158.6   | 192.4   | 253.5   |
| Inflation, consumer prices (annual %)         | 8.5     | 8.1     | 9.0     | 15.7    |
| Market capitalization (current US\$), million | 80,610  | 62,766  | 49,974  | 29,792  |





## Changes in Government Policy & Attitude

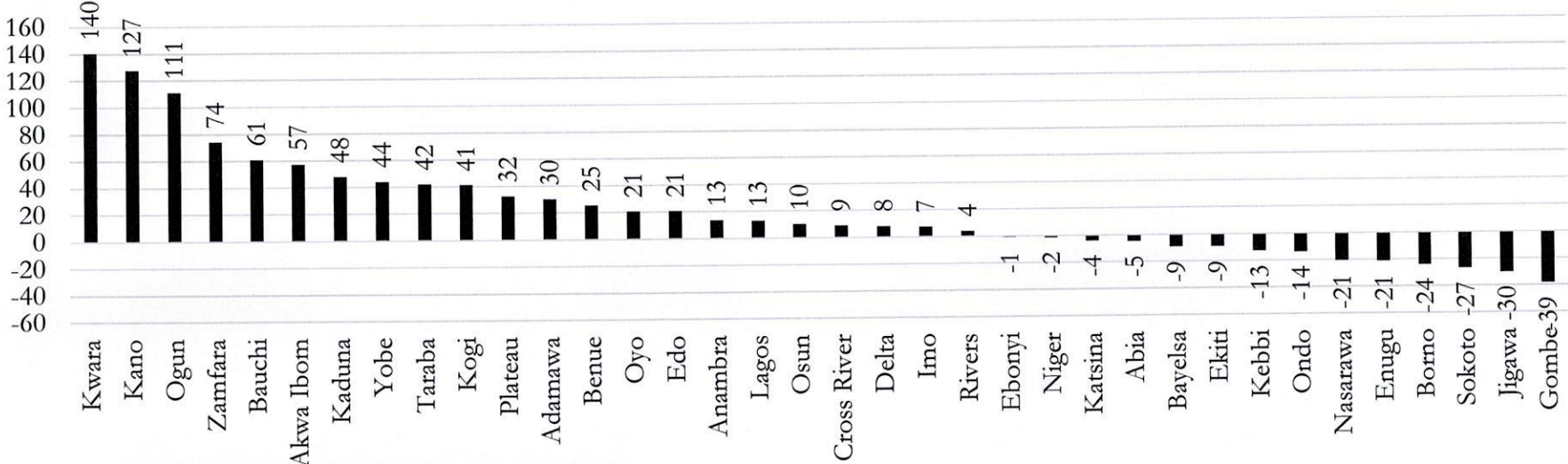
- The National Economic Council Retreat and Resolutions (2016)
- The Economic Recovery and Growth Plan (ERGP) (2017 – 2020)
- The Fiscal Sustainability Plan (FSP) (2016)
- The new National Tax Policy (NTP) (2017)
- Voluntary Assets and Income Declaration Scheme (VAIDS)
- Passage of States' IGR-related laws



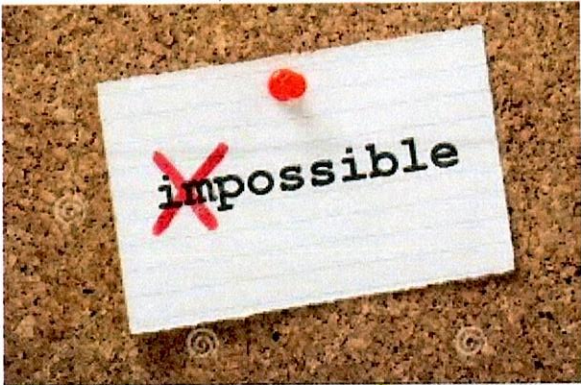
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# The 2016 Story

IGR growth (percent), 2015 - 2016



Source: Computed based on JTB data (2017)



Some States used the threat as an opportunity and recorded remarkable growth in IGR





## Our findings of what happened and why

In spite of the downturn, there were remarkable growths recorded in some States:

Common reforms triggering growth:

- Greater autonomy for SBIRs
- Improved taxpayer mapping (incorporating the informal sector)
- Adoption of modern technology to cut leakages and fraud
- Strategic reorganization of States' Boards of Internal Revenue (SBIR) - (capacity building)
- Community engagement (tax-for-service)
- Presumptive tax implementation
- Review of obsolete laws

- Kwara (140%)
- Kano (127%)
- Ogun (111%)
- Zamfara (74%)
- Bauchi (61%)
- Akwa Ibom (57%)
- Kaduna (48%)



# Incremental Components for Leading States (2016 Annual Growth)

**PAY-AS-YOU-EARN**



- Kwara (30%)
- Akwa Ibom (50%)
- Kaduna (58%)

**DIRECT ASSESSMENT**



- Kwara (120%)
- Zamfara (178%)
- Akwa Ibom (459%)

**ROAD TAXES**



- Kwara (82%)
- Zamfara (504%)

*Data Source:* Computed based on JTB data (2017)



## Common Challenges

- **Obsolete Revenue Laws**
- **Lack of Autonomy**
- **Inadequate Funding**
- **Poor Planning**
- **No or low automation**



### Lack of Administrative Basics:

- **Process maps**
- **Technical skills (tax)**
- **Personnel and work management skills**
- **Leadership skills at all levels**







# The 2017 Outlook

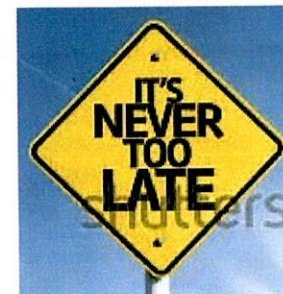
**SUSTAINABILITY**

| S/N | STATE        | JAN - JUN 2016            | JAN - JUN 2017            | VARIANCE (N)       | VARIANCE (%) |
|-----|--------------|---------------------------|---------------------------|--------------------|--------------|
| 1   | Abia         | 5,441,944,876.30          | 7,954,890,490.00          | 2,512,945,613.70   | 46%          |
| 2   | Adamawa      | 3,789,594,570.63          | 2,367,699,532.93          | (1,421,895,037.70) | -38%         |
| 3   | Akwa Ibom    | 8,295,876,237.00          | 7,326,382,537.00          | (969,493,700.00)   | -12%         |
| 4   | Anambra      |                           |                           |                    |              |
| 5   | Bauchi       | 4,338,632,939.01          |                           |                    |              |
| 6   | Bayelsa      | 3,705,166,312.27          | 5,403,977,808.47          | 1,698,811,496.20   | 46%          |
| 7   | Benue        | 4,444,157,002.60          | 7,472,792,088.93          | 3,028,635,086.33   | 68%          |
| 8   | Borno        | 1,262,241,448.42          |                           |                    |              |
| 9   | Cross River  | 6,772,087,129.49          | 6,617,965,537.87          | (154,121,591.62)   | -2%          |
| 10  | Delta        | 22,446,554,864.37         | 25,103,484,725.03         | 2,656,929,860.66   | 12%          |
| 11  | Ebonyi       |                           |                           |                    |              |
| 12  | Edo          | 12,230,679,444.88         | 13,015,045,733.72         | 784,366,288.84     | 6%           |
| 13  | Ekiti        | 1,194,899,968.31          | 2,467,513,158.20          | 1,272,613,189.89   | 107%         |
| 14  | Enugu        | 6,335,188,321.00          | 12,407,903,908.00         | 6,072,715,587.00   | 96%          |
| 15  | Gombe        | 1,783,274,479.24          | 1,699,449,806.03          | (83,824,673.21)    | -5%          |
| 16  | Imo          | 2,713,519,569.98          | 3,452,317,935.52          | 738,798,365.54     | 27%          |
| 17  | Jigawa       | 1,668,759,305.06          | 3,548,749,484.14          | 1,879,990,179.08   | 113%         |
| 18  | Kaduna       | 7,748,573,326.42          | 9,637,190,364.12          | 1,888,617,037.70   | 24%          |
| 19  | Kano         | 17,230,629,560.72         | 11,107,753,040.09         | (6,122,876,520.63) | -36%         |
| 20  | Katsina      | 2,755,698,238.04          | 2,782,536,380.76          | 26,838,142.72      | 1%           |
| 21  | Kebbi        | 1,565,159,612.22          | 2,281,814,873.80          | 716,655,261.58     | 46%          |
| 22  | Kogi         | 3,864,007,643.39          | 4,919,298,641.98          | 1,055,290,998.59   | 27%          |
| 23  | Kwara        | 8,229,330,228.34          | 10,676,489,600.45         | 2,447,159,372.11   | 30%          |
| 24  | Lagos        | 150,596,076,871.98        | 168,025,303,441.70        | 17,429,226,569.72  | 12%          |
| 25  | Nasarawa     | 1,600,178,334.92          | 3,541,545,541.08          | 1,941,367,206.16   | 121%         |
| 26  | Niger        | 2,877,514,521.00          | 3,185,476,752.90          | 307,962,231.90     | 11%          |
| 27  | Ogun         | 28,149,481,840.76         | 39,849,644,684.40         | 11,700,162,843.64  | 42%          |
| 28  | Ondo         | 3,888,108,415.27          | 5,078,010,539.09          | 1,189,902,123.82   | 31%          |
| 29  | Osun         | 4,481,333,121.85          |                           |                    |              |
| 30  | Oyo          | 8,177,422,204.00          | 10,818,648,986.70         | 2,641,226,782.70   | 32%          |
| 31  | Plateau      | 4,545,377,998.47          | 5,111,211,378.96          | 565,833,380.49     | 12%          |
| 32  | Rivers       | 46,190,771,475.81         |                           |                    |              |
| 33  | Sokoto       | 2,272,882,763.88          | 3,702,247,581.97          | 1,429,364,818.09   | 63%          |
| 34  | Taraba       | 2,052,569,760.34          | 2,985,941,401.76          | 933,371,641.42     | 45%          |
| 35  | Yobe         | 1,900,110,415.81          | 1,483,339,483.64          | (416,770,932.17)   | -22%         |
| 36  | Zamfara      | 2,102,917,162.79          | 2,060,136,251.33          | (42,780,911.46)    | -2%          |
|     | <b>TOTAL</b> | <b>386,650,719,964.57</b> | <b>386,084,761,690.57</b> |                    |              |



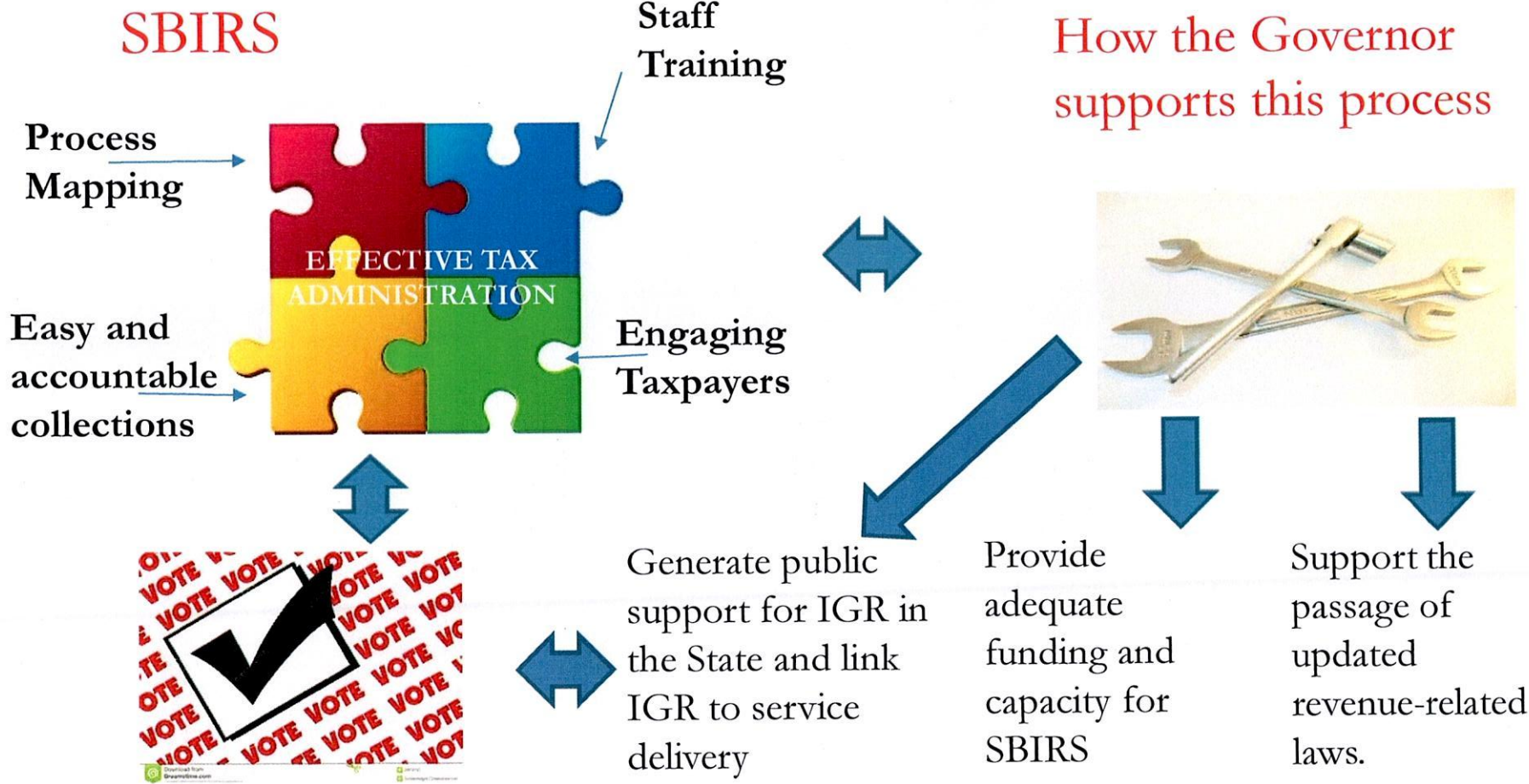
Kano -36%  
Adamawa - 38%  
Yobe - 22%

Abia + 46%  
Bayelsa +46%  
Benue + 68%  
Ekiti +107%  
Enugu +95%





# The Minimum Building Blocks





## What States Boards of Internal Revenue have said about the NGF IGR assistance

*I must state that I benefitted tremendously from the 2015 [NGF IGR] event which was my first as the Executive Chairman of KW-IRS and I took away quite a lot that informed and shaped our start-up strategy that was run between October 2015 and September 2017.*

*Kwara State Internal Revenue Service is a testimony to the impact of the IGR Peer Learning Event, I am proud to testify.*

**Muritala Awodun, PhD**  
**Executive Chairman**  
**KW-IRS**

*The training by the Governors' Forum has been greatly useful to the CRIRS. I would like to thank the NGF HelpDesk Team for their invaluable support in building capacity in our Service.*

**Dr. Ukam U. Edodi**  
**Executive Chairman**  
**CR-IRS**



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# The IGR Dashboard Monthly Reports To Governors

- Monthly reports have been provided to governors since April 2017
- **Are Governors using these reports?**
- **Why do we persist?**
- **How can Governors support the process?**

**X STATE INTERNAL REVENUE SERVICE  
GOVERNOR'S SUMMARY**



Overall Tax Governance Score: 59.42 percent



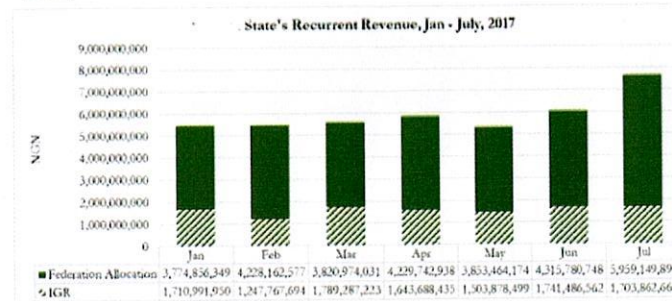
**Key Highlights**

- A notable success in the States is the closure of all revenue accounts operated by MDAs and local governments, following the establishment of a consolidated revenue account.
- Other commendable practices were recorded in areas such as strong internal capacity for tax administration, with limited use of tax consultants, establishment of a specialized unit to oversee high net worth individuals, development of tax information leaflets/manuals and strong collaboration with revenue courts.
- Challenges were identified in the timely release of budgeted funds for operations, and poor ICT capability in 25 out of the State's 29 field offices. This has continued to limit the Service's potential to increase revenues through better taxpayer and revenue mapping.

| ASSESSMENT AREAS   | Q1, 2017     |
|--|--------------|
| <b>Overall Tax Performance</b>   | <b>59.42</b> |
| <b>Tax Administration</b>  | <b>48.16</b> |
| Organisational and institutional arrangements                              | 55.51        |
| Availability and sufficiency of IRS budget                                 | 55.55        |
| Salary incentives, IRS Staff skills and training levels                    | 41.88        |
| SBIRS outreach in districts (no. of tax offices)                           | 59.68        |
| <b>Tax Procedures (registration, filing, assessment and payment)</b>       | <b>46.78</b> |
| Tax registration using Unified Tax Identification Number (TIN)             | 51.90        |
| Efficiency of tax collection (best of judgement vs self- assessment)       | 41.67        |
| <b>Tax Processing (manual vs automated)</b>                                | <b>71.43</b> |
| Tax payment (cash paid to tax officers versus bank and electronic payment) | 71.43        |
| <b>Tax Enforcement</b>   | <b>71.33</b> |
| Capacity for taxpayer audits   | 64.53        |
| Tax awareness  | 74.24        |
| Complaints   | 46.53        |
| Double Taxation  | 100.00       |



**Revenue Profile**



**Recommended actions for the Governor**

- Provide a platform to receive regular updates from the Chairman of the Board of Internal Revenue
- Facilitate timely release of budgeted funds in line with budget appropriation to at least cover essential services required to improve and sustain revenue generation and collection.
- Support the Service in the gradual implementation of e-billing payment systems across all MDAs to block leakages (currently, some MDAs still collect cash payments).
- Facilitate the reconstitution of tax appeal tribunals as their absence has held up several cases and hence, the inflow of additional revenue.
- Facilitate interagency cooperation to strengthen the State's tax collection mechanism and ensure that all revenues collected by MDAs are paid into a consolidated revenue account.



## Recommendations for Governors

- Lead the way to build a social contract with the public, by linking service delivery with tax revenues, while promoting specific tax-for-service initiatives (e.g. providing access to social services to operators in the informal sector)
- Support the autonomy and professionalising of the Revenue Authority with adequate funding and suitable appointments.
- Deploy technology (such as e-billing, e-receipting and electronic payment platforms) to block leakages and provide transparency to both the government and the public





## Recommendations for Governors

- Sign into law, outstanding revenue-related bills and ensure State Executive Council passes new bills to the State House of Assembly for consideration, including:
  - Harmonisation of State and LGA taxes
  - Harmonisation of State MDA charges to be collected by SBIRS
- Ensure the SBIRS is the only collecting agency in the State (where external collectors are used, they should clearly engage and report to the SBIRS).
- Publish harmonised and updated rates of taxes, levies and charges along with forms and payment channels online

**Thank you**